MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/2017

BSM3614 – STRATEGY

(All Sections/Groups)

12 OCTOBER 2016
2:30PM – 5:30PM
(3 HOURS)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **6 pages** (exclusive of cover page) only.

2. **Answer ALL FIVE (5) questions.** All questions carry equal marks and the distribution of the marks for each question is given.

3. Please provide all your answers in the Answer Booklet provided.

INSTRUCTIONS: Answer ALL FIVE (5) questions.

QUESTION 1 (20 MARKS)

(a) Facebook's solar-powered internet plane takes flight[1]
Published 21 July 2016, Sean Farell

> Facebook has announced the first successful test flight of a high-altitude solar plane to bring internet access to remote parts of the world. The Aquila drone has the wingspan of an airliner but weighs less than a car. When cruising, it consumes just 5,000 watts – the same as three hairdryers or a powerful microwave. The first flight took place on 28 June in Arizona. Facebook said the test went better than expected and that Aquila's 96-minute flight was three times longer than planned. Aquila was developed in Bridgwater, Somerset, and the drone, designed to fly non-stop for three months, will use lasers to beam down internet access to remote areas without online capacity. Facebook has a team of engineers at Bridgwater from fields of expertise including aerospace, avionics and software and who had previously worked at organisations such as Nasa, Boeing and the Royal Air Force. Mark Zuckerberg, Facebook's chief executive, revealed in March 2015 that the company had been testing drones in the skies over the UK. Facebook intends Aquila to be part of a fleet of planes that will provide the internet to 4 billion people in sub-Saharan Africa and other remote regions that do not have access currently. Jay Parikh, Facebook's head of engineering and infrastructure, said in a blog: "*We're encouraged by this first successful flight, but we have a lot of work ahead of us ... In our next tests, we will fly Aquila faster, higher and longer, eventually taking it above 60,000 feet.*"

(i) Exhibit your understanding of diversification strategies. (10 marks)

(ii) Explain Facebook's Aquila strategy to be one of the two types of diversification strategies that is likely to solidify the organisation's position in the internet industry. (5 marks)

(b) Malaysia Airlines Berhad restructuring continues to show positive results[2]
Published 4 Mar 2016, Malaysia Airlines

> Malaysia Airlines Berhad is pleased to announce the latest quarterly update of its restructuring, which saw sustained progress amidst a backdrop of external macro-economic fluctuations. Group Chief Executive Officer of Malaysia Airlines Berhad, Christoph Mueller said, "*We have seen a challenging quarter*

[1] Sourced from: https://www.theguardian.com/business/2016/jul/21/facebook-solar-powered-internet-plane-test-flight-aquila
[2] Sourced from: http://www.malaysiaairlines.com/in/en/corporate-info/press-room/2016/continues_to_show_positive_results.html

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but I am pleased to see continued progress made in all key areas such as on-time performance and costs. Malaysia Airlines has been operating for six months now and although we have a long way to go and areas for improvement, we are making steady progress in the restructuring. We are focused on building momentum with our restructuring in 2016. Diligent execution on efficiency and tighter cost controls has already produced results which have seen us emerging leaner and more focused. There is still plenty to be done but the group is working hard to ensure that Malaysia Airlines succeeds and prospers for the years to come," added Mueller.

Elaborate on how Malaysia Airlines Berhad's restructuring is an example of a leveraged buyout. **(5 marks)**

QUESTION 2 (20 MARKS)

(a) Leslie Jones back on Twitter[3]

Published 22 July 2016, FoxNews.com

"Ghostbusters" star Leslie Jones was back on Twitter Thursday night following reports earlier this week that said she was leaving the social media site after being subjected to harassment during a Twitter fed with a conservative journalist. [...] "*Unfortunately, I'm used to insults, but what scared me was the injustice of a gang of people jumping against you for such a sick cause... It's so gross and mean and unnecessary. Hate speech and freedom of speech*," she said. "*Two different things.*" Twitter permanently banned Breitbart journalist Milo Yiannopoulos following his Twitter feud with Jones. [...] Jones has posted seemingly derogatory comments about white people in the past, but Twitter has allowed her account to remain active. [...] Yiannopoulos argued Jones was able to keep her account because the social media platform disregards content and instead focuses solely on the political and identity groups of the user. "*Twitter hasn't banned her for the same reason they did ban me*," he told FoxNews.com Wednesday, claiming he didn't violate the site's Terms of Service and was punished solely because of his beliefs. Yiannopoulos says Twitter has a bias against conservative speech. [...] But some experts say private corporations like Twitter can do what they want when it comes to who they let use their service. Twitter is only required to abide by discrimination laws, which prevent companies from harassing an individual based on factors such as race, religion or sexual orientation. [...] A Twitter spokesman [...] told FoxNews.com in an email that the company believes "people should be able to express diverse opinions and beliefs" but rules "prohibit inciting or engaging in the targeted abuse or harassment of others".

[3] Sourced from: http://www.foxnews.com/entertainment/2016/07/22/leslie-jones-back-on-twitter.html

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Use the above example to demonstrate your view on whether organisations should take stances on contentious social issues. **(10 marks)**

(b) Below is a 2015 internal assessment of a city university in the US.

No	Strengths	Weight	Rating
1	It is strategically located in the same state capital with more than 10 multinational corporations.	0.05	4
2	It received a US$200 million technology donation for high-tech facilities in 2015.	0.07	3
3	It has a diverse (28%) student body and faculty, up from 21% since 2013.	0.09	4
4	Its President has been listed into TIME's World's Most Influential People for 2015.	0.04	4
5	Its programmes in nursing and business are nationally ranked 12th and 25th respectively this year, the same since 2012.	0.11	3
6	Its athletic teams have only recently performed at national competitions since 2013.	0.05	3
7	Its tuition fees are 15% lower than its peer institutions.	0.04	3
8	Its engineering and life sciences buildings are new, having been built late 2014.	0.03	4
No	Weaknesses	Weight	Rating
1	It is a city campus with limited space for expanding.	0.05	2
2	Police arrests on campus have been rising 5% annually since 2010.	0.07	1
3	Its gyms and athletic facilities are 30 years old.	0.05	1
4	Its food service complaints are up 11% compared to last year and 15% to the year before last.	0.03	1
5	30% of its faculty are near retirement age and have achieved the ceiling in salary.	0.04	2
6	Student activity surveys indicate a 14% drop in satisfaction for 2015, its biggest since 2011.	0.06	2
7	Its alumni-giving is declining an average of 10% annually.	0.05	1
8	It has a student/faculty ratio of 51 to 1.	0.08	1

Calculate the necessary weighted scores and conduct an IFE of the above organisation. **(10 marks)**

QUESTION 3 (20 MARKS)

Provided is the redacted 2015 internal and external analyses for a Strategic Position and Action Evaluation (SPACE) Matrix of a global player in the food & beverage industry.

Internal Analysis		External Analysis	
Financial Position (FP)		Stability Position (SP)	
Leverage (debt to equity)	2.0	Price elasticity of demand	-4.0
Liquidity (current ratio)	4.0	Competitive pressure	-4.0

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Return on assets	5.0	Barriers to entry into market	-3.0
Earnings per share	6.0	Seasonality	-3.0
Net income	3.0	Technological changes	-3.0
Competitive Position (CP)		**Industry Position (IP)**	
Diversified activities	-2.0	Industry regulation	4.0
Control over suppliers and distributors	-2.0	Profit potential	3.0
Market Share	-3.0	Ease of entry into market	5.0
Technological know-how	-2.0	Growth potential	3.0

(a) **Explain the SPACE Matrix.** **(5 marks)**

(b) **Calculate the necessary averages to plot the SPACE graph. (*Marks will be allocated for workings.*)** **(10 marks)**

(c) **Provide recommendations for the organisation's future based on its SPACE findings.** **(5 marks)**

QUESTION 4 (20 MARKS)

(a) **Organisations should formulate and implement strategies from an environmental perspective. Demonstrate FOUR (4) ways organisations can do this.** **(8 marks)**

(b) **How Birkenstock Stays In Vogue Without Selling Out**[4]
Published 21 July 2016, Elizabeth Segran for Fast Company

> Over the last five years, Birkenstock has gotten into a groove of responding to what is happening in fashion by developing limited edition styles. The company is careful never to change any aspect of the footbed, which is the most distinctive and beloved part of the shoe, but they do unveil new colours and patterns regularly. This summer, they [have] put fresh spins on their classic styles. The Madrid, a one-strap slide sandal, now comes in a sparkly silver and a series of neons. The two-strap Arizona comes in floral prints. The Gizeh thong now comes in black patent and a shimmery snakeskin. "*These are the same textures and colours that we're seeing in [high-fashion] ready-to-wear*," Kahan says. To market these trendier products, Birkenstock launches campaigns that help potential customers style the shoes in new ways. They [will] present the sandals on models wearing skinny jeans or leather jackets, sending the message that the shoes are not just for granola-eating hippies and they can complete any outfit. "*We're not leaving behind the traditional Birkenstock consumer, but the same shoe is now ending up in the closet of a woman who might have Jimmy Choos or Manolo Blahniks*," Kahan says.

[4] Sourced from: http://www.fastcompany.com/3061761/how-birkenstock-stays-in-vogue-without-selling-out

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> *"We're not changing anything about ourselves per se, but we're connecting with a new consumer."*

Discuss the TWO (2) types of innovation and justify the type in Birkenstock's sandals. **(12 marks)**

QUESTION 5 (20 MARKS)

(a) Adidas Makes A Play For Women[5]

Published 9 July 2016, Elizabeth Segran for Fast Company

Adidas sales have been in decline. The company saw a 38% drop in its share price from 2014 to 2015, with sales plummeting by the same percentage. Adidas has also been losing market share: For decades, it was the second largest sportswear company in the world after Nike, but in 2014, Under Armour overtook it, pushing it into third place. As of last year, Nike owned 45.2% of the sports footwear market and 27.8% of the sports apparel market, while Adidas owned 5.5% and 4.5% of those categories respectively. So now, Adidas is playing catchup. One part of the company's current five-year plan is to build a brand that will appeal to the woman currently buying athleisure clothing—a customer that Adidas describes as the versatile female athlete. To tackle this challenge, Adidas has created key management positions that focus on catering to women. In February, Nicole Vollebregt, who has worked for Adidas in various roles for nearly two decades, became the company's first head of global women's business. "My team is tasked with championing the versatile female athlete throughout the organisation," Vollebregt says. "*We work with all the other business units to make sure that we're delivering products and experiences that she wants*". The company also hired Christine Day, who was Lululemon's CEO from 2008 to 2013, to be a strategic adviser. Day has valuable insight about why women's activewear has become so popular in recent years, since Lululemon has often been described as the brand that ushered in the "athleisure" era by creating chic yoga pants that women wear all day. Adidas's ultimate goal is to rebrand itself as a company that women will identify with. Day believes that this has been hard to achieve in the past because Adidas is a manufacturer, so its products appear in a wide variety of places - from Bloomingdales to Dick's Sporting Goods to discount outlets - which makes it hard to control its own image. Adidas is hoping to right the course by claiming a voice on its own channels, from its website to its brick-and-mortar stores to its social media streams. The video series of women incorporating sports into their lives is a good example of this strategy at work. "*When we embark on something new, it may take us a little longer because we are a big organisation*," Vollebregt says. "*But once we decide on*

[5] http://www.fastcompany.com/3058349/behind-the-brand/adidas-makes-a-play-for-women

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> *an initiative and turn on the tap, we can ramp up extremely quickly, because we have thousands of our own stores globally*".

When businesses implement strategies, human resource problems can arise due to several reasons. Demonstrate how Adidas is able to ensure a well-designed strategic management system by securing sufficient attention to the human resource dimension, namely workforce diversity. **(10 marks)**

(b) J. Crew's mission statement hypothetically reads as:

> *We sell cashmere cardigans, Capri pants, jeans, khakis, and other high quality clothing products to young professionals around the world. We strive to maximise our shareholders' value by utilising the latest technology to monitor consumer trends and exceed consumer expectations. We believe in the golden rule in all that we do, strive to be exemplary citizens in all communities where we have operations. We deeply appreciate and care for our employees. Quality is our highest priority. Always has been, always will be.*

Identify all nine components of a mission statement in the above. **(10 marks)**

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